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ABSTRACT

This technical report describes the development of "Finetuning Special Education Finance: A Guide for State Policymakers." The report's introductory section notes the need for information on special education finance. Section 2 describes how these needs were identified--through a national survey of 118 persons knowledgeable about state special and regular education, a meeting of national organizations active in special education, and 39 telephone interviews in 10 states with state and local agency officials, legislators, and others concerned with special education. Section 3 reports on information collection and synthesis regarding the issues identified. The authors first drafted the guide's outline, next gathered information from state databases and policy reports, literature surveys, and researchers, and then matched the information with the outline in five areas: eligibility, range of services, costs, and funding sources and formulas. In section 4 the authors assess the information base for each of the five areas and for three types of information sources (descriptive data, analytic research, and state documents). The concluding section offers suggestions for improving information on special education finance. Four appendices provide the telephone interview form, a list of experts interviewed, the draft guide outline, and a checklist of desired state information. (RW)

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The Development of a State Policy Guide to Special Education Finance: A Final Report

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Educational Testing Service
Princeton, NJ

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F I N A L R E P O R T

The Development of a State Policy Guide to Special Education Finance

Introduction: State Policymakers' Need for Information

As recently as a decade ago, it was not uncommon to find state policymakers who were relatively uninformed about the specific educational needs and financial requirements of handicapped children in their states. While in most instances states had enacted legislation to provide for the education of such children, much of this legislation was the product of a small group of individuals occupying critical education roles. Thus, while a few legislators, their staff members, and state education agency chiefs were familiar with issues in the realm of special education, many more individuals active in state policy maintained only superficial familarity with such issues.

Today the number of state policymakers concerned about the future course of special education policies has multiplied dramatically. This shift can be attributed to at least three causes. First and foremost, major federal legislation, the Education for all Handicapped Children Act (P.L. 94-142) and Section 504 of the Rehabilitation Act of 1973, entered state policymaking arenas with mandates that all handicapped children receive appropriate education services and requirements that specific procedures (e.g., individualized education plans, grievance structures, multiple assessment requirements, single state agency supervisory authority) be established in each state to guarantee those services. Second, shortly after policymakers adjusted existing state policies to

make them compatible with federal law, they confronted a worsening economic picture. Taxpayer demands to limit state and local spending frequently accompanied these worsening conditions. State legislators now feel more accountable than ever for policies that threaten to claim a significant share of scarce resources. Finally, where a decade ago a small cadre of state legislators and the chief state school officers dominated education policy within the state, control over education policymaking in the state capitol has become more diffuse, drawing many newcomers onto relatively unfamiliar terrain. While this phenomenon has occurred unevenly across the states, the total number and variety of parties now concerned about the finance and support of special education have increased significantly at the state level.

The question of finance is central to policymakers' concerns about the future course of special education at both the state and national levels. A recent national evaluation of the implementation of P.L. 94-142 documents this fact:

> The most obvious factor influencing whether an LEA can realize the intent of P.L. 94-142 is financial resources -- the resources needed to provide sufficient special education and related services to serve all handicapped children and to enable services and settings to be determined on the basis of individual needs. Every LEA in our sample experienced some shortfall relative to the local need or demand for services...*

The states directly and indirectly influence the distribution of a major portion of these resources so critical to meeting the needs of handicapped children. Spending for special education grew tremendously

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*Marian S. Stearns, David Greene, Jane L. David. Local Implementation of P.L. 94-142: First Year Report of a Longitudinal Study. Menlo Park, CA: SRI International, April 1980, p. viii.

in the 1970's, from less than $1.5 billion nationwide at the beginning of the decade to a total in excess of $10 billion by 1980-81. Estimates from 1976 indicate that the states directly supplied an average of about 55 percent of the total amount.* These funds have flowed through state finance systems which were constructed either when states were functioning as program purchasers of special education services or when states were moving into a facilitator role, placing major demands on local education agencies to deliver mandated special education services.** Many states have now gained sufficient experience with these systems to begin to question their wisdom and durability in the face of new fiscal realities and local service demands. Several states report that they contemplate changes in their state finance structures in the early 1980's.

The Special Education Policy Context

Special education, in addition to drawing the attention of policymakers concerned about its growing claim on the state treasury, presents unique policy challenges. The mandate that school systems provide "free and appropriate public education" to all school-aged handicapped children represents a unique obligation in education because it embodies the notion of individually designed services prescribed for each handicapped

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*W.H. Wilken, et al. "State Aid for Special Education: Who Benefits?" National Foundation for the Improvement of Education and the National Conference of State Legislatures, May 31, 1976.

**For a discussion of these evolutionary phases of special education policy in the states see "Local Special Education Variables Necessary for Consideration in Developing State Special Fiscal Policies," Frederick J. Weintraub & Scottie Higgins, Reston, VA: Council for Exceptional Children, Policy Options Project, December 1980.

child. While educators for some time have encouraged individualized instruction, to date, special education is the only area where federal and state law require individualized services. Designing state aid formulas that address the individual needs of students presents a new challenge to policymakers accustomed to funding systems that support a standard program for the average child.

Furthermore, special education asks policymakers to make decisions about matters that are extremely fluid and somewhat subject to forces beyond their control. Defining the handicapped population and determining what constitutes an appropriate education for such students is no mean task. Uncovering the costs of services for handicapped students is a task fraught with difficulty. Court decisions can and do change the basic assumptions on which cost projections and funding systems are built. The courts have confronted questions about the definition of appropriate education, related services and the length of the school year for handicapped students -- all issues that can significantly affect state and local special education budgets.

Finally, special education challenges policymakers to make sense out of a complex organizational world of multiple funding sources and a wide array of government agencies and local service providers. The dollars involved in providing special education along with demands for efficiency in government spending have forced the difficult issues inherent in interagency coordination to the forefront of policy debate. Due both to historic methods of operation and to a shortage of fiscal resources, public agencies and private service providers rarely compete for handicapped students; rather they try to limit their service responsibilities

to a particular subpopulation leaving primary responsibility for unserved students with other agencies. Consequently, policymakers are frequently faced with carving out reasonable budgets and service boundaries for a number of state and local agencies that have acquired a political independence of their own.

The National Institute of Education (NIE) in an effort to help state policymakers make more informed choices about financing special education services in their states contracted with the Education Policy Research Institute (EPRI) in collaboration with the Institute for Educational Leadership (IEL) to prepare a guide for state policymakers that synthesized policy-relevant information concerning special education finance in the states. In addition NIE called for the preparation of this technical report which describes the approach used to develop the guide, documents the results of EPRI's and IEL's assessment of state policymakers' information needs, and assesses the information available to meet those needs. This report does not synthesize information related to particular policy questions; the companion policy guide Finetuning Special Education Finance: A Guide for State Policymakers serves that purpose.

II. State Policymakers' Information Needs

Before we compiled information which would serve state decision-makers, we set out to determine more precisely what information they needed. Our own experience with policymakers' questions indicated that the scope of their interest was broad and not narrow. For example, we believed that state decision-makers' desire for information went beyond questions about the ways different funding formulas operated. But we needed more detail about the range of topics which came up as policymakers debated special education funding.

We used three approaches to elicit the information needs of state policymakers. First, we conducted an information needs assessment comprehensive of the nation as a whole. This assessment took two forms: a letter to approximately 118 individuals across the country who were acknowledged as active and/or expert in both regular and special state education policies. Additionally, we held a meeting in Washington, D.C. of about a dozen individuals representing national organizations concerned with special education. These two groups produced a list of policy issues that knowledgeable persons deemed significant.

To cross check these perceptions, we conducted 39 in-depth telephone conversations with persons involved in setting special education policy in ten states. (See Appendix A for Telephone Protocol.) We selected ten states to represent a wide range of (1) state fiscal effort for education in general, (2) state involvement in special education policymaking, and (3) special education service levels. We also chose states representing different regions, urban/rural characteristics and funding approaches. To

select the sample we clustered the 50 states along the first three dimensions.* We then chose states from each group and checked their dispersion across the remaining dimensions. Table 1 lists the states that we selected as targets for our phone discussions along with the characteristics each state represented.

Within each state we spoke with a variety of individuals including state education agency staff, legislators, legislative staff, university researchers, community and advisory committee members, and local education agency representatives. While these efforts did not constitute a statistically valid survey, we have confidence that the sample of states and persons providing information represent a firm basis for generalizing the findings to the nation as a whole.

These assessments of policymakers' information needs confirmed our belief that their concerns spanned a broad set of issues. Most policymakers wanted to learn more about the effects of different funding formulas, but in addition they wanted to know more about the eligibility and service boundaries of special education, the costs of special education, different state approaches to funding special education and to managing public and private service providers.

As might be expected, respondents in states that were in different phases of implementing special education mandates placed greater emphasis on some issues and topics. For example, states that had not reached a

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*The first three variables were operationalized as follows: level of fiscal effort consisted of state expenditure per pupil combined with ACIR's state fiscal pressure index; degree of state involvement in special education policymaking was a combined index of state aid for special education, state share of special education costs, and the presence of pre-school mandates for service; special education service level was based on special education staffing ratios, reliance on mainstreaming and a pupil-centered funding system. The judgments we made in some instances were rough and are useful primarily for a general classification of states.

TABLE 1

STATES CHOSEN FOR TELEPHONE ASSESSMENTS OF
SPECIAL EDUCATION FINANCE ISSUES AND INFORMATION NEEDS

	Region	Urban/ Rural	Fiscal Effort	State Invol.	% Pop.* Served	Funding Formula	% State Support of General Education**
California	W	Urban	High	High	8.06	exc. cost/ serv. flat/grant	68%
Illinois	MW	Mixed	High	High	12.45	personnel unit	54
Mississippi	S	Rural	High	High	9.75	personnel unit	70
Pennsylvania	E	Urban	High	Low	10.37	exc. cost	42
Connecticut	E	Urban	High	Low	12.62	exc. cost	29
Florida	SE	Mixed	Low	High	9.57	weighted	61
North Dakota	NW	Rural	Low	High	8.06	exc. cost	64
Colorado	W	Rural	Low	Low	8.91	exc. cost	45
Tennessee	SE	Rural	Low	Low	11.15	weighted	52
Ohio	NW	Urban	Low	Low	10.62	unit	43

*1980-81 state child counts reported to U.S. Department of Education expressed as a percent of 1980 public school enrollment ages 5-17.

**Percent state support of general education while not identical to percent of special education support does provide a guide to states where state versus local financial control issues are likely to arise. The measure is more accurate numerically and less speculative than using figures regarding state special education expenditures.

high level of service emphasized issues related to expanding services for underserved or hard-to-serve populations. Respondents in states characterized by higher levels of service delivery placed greater stress on cost containment and ways to stem the growth in the more mildly handicapped categories. In spite of this variation, however, we uncovered a remarkable consistency in the issues that state policymakers shared. Below we review the range of issues that emerged from our ten state inquiries:

1. States already at a high or median service delivery level (e.g., California, Illinois, Pennsylvania, Connecticut, Florida) were more concerned about cost and population containment issues (e.g., growth in mildly handicapped categories, limits of service responsibility and private school costs) and effectiveness of service and quality issues (e.g., decategorization of funding).

2. States still expanding service delivery (e.g., North Dakota, Tennessee, Mississippi and Ohio) were less concerned about growth in specific terms and more concerned about adequacy of funding formulas (e.g., level of state share, encouragement of program growth) and expansion of service issues (e.g., buildings, transportation, age range). They were also concerned about boundary issues (e.g., responsibility for severely handicapped populations, involvement of other agencies in service delivery).

3. Three states which had unit, personnel reimbursement or excess cost formulas were considering a move to a weighted formula (i.e., Mississippi, Illinois and Pennsylvania). Each of these states expressed interest in a detailed analysis of the variables that should be examined in a weighted formula for special education, including time and costs of start-up, experience in initial implementation and the process of transition.

4. All states but Tennessee and Colorado expressed concern over equity issues varying from ability of small districts to create programs with tight finances (e.g., California) to disequalizing effects of categorical funding (e.g., Connecticut), differential wealth assessments (e.g., Mississippi and Ohio) and differential reimbursement to larger school districts based on state average costs (e.g., North Dakota).

5. Most states were concerned about the insensitivity of funding formulas to costs not related to direct services such as facilities, preservice and in-service training and staff development, recruitment incentives to staff in rural areas, assessment of handicapping conditions, management and administrative costs (e.g., data collection and management, administrative staff and evaluation).

6. Several states were re-examining their service delivery structure and were concerned about the costs and benefits of utilizing intermediate service units, service collaboratives and learning resource and technical assistance centers (e.g., Pennsylvania, North Dakota, Mississippi).

7. Virtually all states indicated substantial interest in the connection between funding formulas and service delivery. This interest centers on two primary issues: accountability for funds and flexibility for adequate and creative service delivery patterns. Such topics as incentives for development of programs for more severely handicapped children, flexibility and adequate reimbursement to establish a continuum of services, encouragement of responsibility for service delivery within the local school district, and incentives for local control raised questions about the adequacy of the current funding formulas.

8. Four particular service delivery issues were raised consistently by states: interagency collaboration and cost sharing, delivery of related services, private schools and out-of-school placements, and overlap in learning problem categories or growth of mildly handicapped populations. Studies of the implementation of P.L. 94-142 and congressional testimony demonstrate that these issues consistently attract policymakers' attention.

In our interviews with state respondents, we inquired about the kind of information they saw as most useful. Their responses consistently indicated a desire to learn from the practical experiences of other states -- how other states funded special education and the outcomes that resulted from different approaches. Our respondents readily acknowledged the importance of different state contexts, but they believed the lessons they could learn from other states outweighed these problems. Our state needs assessment also revealed a need among state policymakers for baseline information about a number of finance-related topics such as the growth in numbers of handicapped children, state and local special education costs and expenditures, and state and local shares of support for special education. This interest in baseline information emerges from policymakers' desire to assess their own policies and practices relative to other states.

Most respondents expressed interest in research findings relevant to the various issues they identified, but they cautioned that any presentation of findings from research should be carefully tailored to an audience of policymakers, not academics.

III. The Collection and Synthesis of Relevant Information

Before embarking on collecting relevant information, we synthesized the responses gathered in the needs assessment into a detailed outline of the guide. This outline contained specific issues or topics organized into three overarching themes, each with several subgroupings. For each topic or issue we identified sources of information that were already known to us. They generally include:

(1) articles or papers in the research literature;

(2) state data bases (e.g., Tron's Public School Finance Programs 1978-79; the Council for Exceptional Children's collection of state information, ECS' information on states, the National Association of State Directors of Special Education surveys of state practices);

(3) researchers and analysts (listed in Appendix B) with national or state specific knowledge; and

(4) state policy reports or studies of special education policies.

Additionally we prepared a checklist of areas where comparative information across states or a sample of states was a high priority. The topical outline and the checklist appear in Appendixes C and D, respectively. These two documents organized our search to uncover appropriate information for the guide.

We used an eclectic method to gather information that closely resembles the approach used by investigative reporters. We searched for leads in the education trade papers (e.g., Education Daily, Education Times, Education of the Handicapped newsletters) to alert us to studies. We combed through reports or suggestions sent to us by respondents in the needs assessment. We conducted an ERIC computer search of relevant articles, documents and doctoral dissertations. We personally visited

several organizations active in special education (e.g., The Council for Exceptional Children, the National Association of State Directors of Special Education, the Special Education Programs (SEP) office of the Department of Education) to obtain relevant information and additional leads. We also interviewed researchers and recognized experts whose own work involved understanding state policies for special education. For example, we asked staff of SRI International who had conducted a multi-year evaluation of the implementation of P.L. 94-142 to review their field notes for insights pertinent to items in our outline. Fortunately, most researchers were quite amenable to assisting us without remuneration. Many spent considerable time and effort suggesting additional sources of information and drawing conclusions from their own research activities.

Because our needs assessment indicated policymakers' interest in the policies and practices followed by other states, we focused considerable effort on obtaining state specific information. While some state assessments were located, the lack of current, reliable, and/or complete multi-state comparisons pertinent to areas on our checklist became quickly apparent. To overcome this problem and still respond to the wishes of our target audience, we used our investigative reporting technique to uncover states that provided illustrations of different policy approaches or problems. For example, through interviews and research articles we identified states that used particularly interesting funding arrangements. For each state identified we built an information file containing documents describing the funding scheme and any analyses or reports that elaborated on concepts, problems, or issues surrounding that scheme. We developed such files on New York, California, Washington, Massachusetts, Arizona and

Maryland. These highly detailed pictures of a few states later became an invaluable tool for generating examples and illustrations of particular state funding practices.

Bringing the somewhat disparate sources of information together in a coherent policy guide proved the next challenge. This called for us to mesh available information with policymakers' expressed needs. In some instances, information was completely lacking. In others, available information fell quite short of answering policy questions. Occasionally we found a good fit between available information and the specifications we developed for the guide.

The results of this matching activity form the final sections of this report where we describe the adequacy and inadequacies of the information base used to develop the guide. In general we found available information fell considerably short of satisfying the range of policymakers' requests, but we were able to pull together enough information on certain topics to improve the knowledge base currently accessible to state policymakers.

Two field tests helped resolve our remaining concerns about presentation and the policy utility of the information. We met with two groups of state policymakers to conduct these trial runs. One group was composed of legislators and state directors of special education from Maine, New Hampshire, and Vermont. These individuals under the auspices of the New England Regional Resource Center participated in a workshop on special education finance. Their reactions to our presentations of portions of the guide gave us reliable indications of the information policymakers wanted and could actually use in the state policy process. A second group of

legislators, staff consultants and state directors from Colorado, Illinois, Nevada, South Carolina, and Utah met with us in Washington to review contents of the guide. We asked these individuals to advise us on the policy appropriateness, significance, and readability of the material. These two sessions allowed us to reformat our material so that it corresponded to the internal logic of the state policy process. We learned how policymakers framed finance issues and the sequence in which they considered those issues.

As a result of these field tests, we decided to focus the guide on five major issue areas that state policymakers consider as they contemplate funding decisions for educating handicapped students:

- o defining student eligibility for special education,
- o establishing the range of appropriate services,
- o determining the costs of special education,
- o developing funding sources for special education, and
- o instituting formulas for distributing special education funds.

This focus offered several advantages. It permitted us to present pertinent information in a sequence familiar to policymakers. Additionally, as a result of the breadth of this focus within each major area, we could indicate to policymakers where factual or empirical information existed and where it did not. We also could discuss the important trade-offs associated with different policy choices within each area. This framework also served policymakers' quick reference needs by allowing them to turn to issue areas of greatest concern without having to read the entire document. Moreover, appendices containing comparative state information could supplement the text without weighing it down.

The final version of the guide emerged after several iterations. Early drafts were reviewed by individuals who participated in our field tests and by officials at NIE. Each draft helped us come closer to a document that was highly readable, accurate, and useful to policymakers.

IV. Knowns and Unknowns in the Finance of Special Education: An Assessment of the Information Base

Usually information lags behind major policy changes. As managers and policymakers gain more experience in a field, efforts spring up or are consciously begun to identify and compile the lessons of that experience. Consequently, the observation comes as no surprise that policymakers' need for better information as a basis for making policy almost always outstrips the information supply. Issues surrounding the finance of special education are no exception to this general pattern. Many of the issues plaguing state policymakers extend beyond current knowledge. As a result, policymakers will have to rely on their own best hunches coupled with what is known in making many decisions in the short-term future. Whether the information base will improve in the longer term depends on the availability of research support and the resolution of difficult methodological problems that hold back progress in specific areas.

The policy guide we developed for the National Institute of Education represents an effort to compile the lessons that states and others have learned from several years' experience with funding special education. Because of dollar limitations, we were unable to undertake in any sizable way the more empirical task of actually identifying lessons. Rather, our work relied primarily on the efforts of others who studied or documented these lessons. As such it constituted a state of the art review of research and other information currently available to meet the needs of state policymakers.

This portion of the technical report describes our conclusions about the kinds of information currently available to aid the state policy process of special education finance. We use the term "available" in the

sense that information in some form actually exists that can be translated into a format readily usable by legislators and administration officials in the states. Hopefully, this glimpse of the information base will help those in decision-making positions to focus attention and resources on subjects where additional examination and research inquiry would be highly beneficial from the state policy perspective.

There are two major ways to assess the quality of the information base we sought. The first involves an assessment of information by issue area. For example, is cost information adequate to respond to policymakers' questions? The second involves a critique of different types of information. For example, how useful and reliable are descriptive surveys of state finance-related policies? We address both these dimensions in this section.

An Assessment by Issue Area

While we were able to produce a policy guide responsive to many issue areas articulated by state policymakers, we were not able to provide as much definitive information to them as we (or they) would have liked. The contributions of the guide lie more in the direction of helping policymakers clarify questions that emerge frequently in their finance deliberations and of structuring possible policy approaches to issues and less in the direction of definitive answers and solutions to finance problems. In fact, the value-laden nature of many of the questions before policymakers, an aspect we emphasize where relevant, makes definitive answers impossible. But as subsequent sections make clear, a dearth of systematic inquiry characterized many issue areas that would add to policymakers' understanding of the effects of specific actions. In some cases technical or methodological

problems stymied further research efforts; in other cases, insufficient dollars precluded any serious research efforts. Finally, in a few cases researchers have failed to exhibit any attention whatsoever possibly as a result of funding agencies expressing different priorities and/or a more general disinclination to focus on issues emerging from the finance area. The following sections detail these gaps and omissions in information.

Student Eligibility

We found a moderate degree of information about the issues that fall under this category. Numerous studies can be identified in the last decade that deal with estimating the incidence of handicapped children.* The policy utility of these studies, however, is diminished by the lack of uniform definitions and eligibility criteria among the states. The problems of using incidence figures are worse for the more vaguely defined handicapping conditions (e.g., learning disabled and emotionally disturbed) and for specific age groups (e.g., preschool and secondary school). In our opinion the source of these problems, however, lies more with the state of the art for defining handicapped children than with a lack of research.

Information about definitions and eligibility criteria used by the states is far less satisfying from a state policy perspective. A 1978

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*See Craig, Patricia A. and Malgoire, Mary A. "Analyses of the Office of Education's Proposed Rules for the Identification of Children with Specific Learning Disabilities Under the Education for all Handicapped Children Act (P.L. 94-142)." Menlo Park, Calif.: The Education Policy Research Center, Stanford Research Institute, January 1977; and Kaskowitz, David H. Validation of State Counts of Handicapped Children, Volume II - Estimation of the Number of Handicapped Children in Each State. Menlo Park, Calif.: Stanford Research Institute, July 1977.

study of definitions conducted by the Council for Exceptional Children* (CEC) constitutes the sole bright spot in this area, but that study is rapidly becoming dated as states have moved to new definitions and criteria. Moreover, the CEC study omitted the learning disabled category apparently because of the difficulty of analyzing state definitions for a condition where so little agreement exists about diagnosis. Our discussions with knowledgeable persons contacted over the course of the project suggest that many states have endeavored to refine their definitions and eligibility criteria in recent years, but no studies have documented these efforts. Similarly, we found very little research into the impact of differing definitions and eligibility criteria on the numbers of children identified as handicapped, an issue highlighted by a recent GAO study.** The same situation exists with respect to the use and influence of population caps on district identification patterns.

While both federal and state policymakers expressed considerable concern about the growth of the mildly handicapped populations, the lack of information about factors that positively or negatively influence students' inclusion in programs for the mildly handicapped creates a real impediment to improving public policy. In our impression, the states,

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*Newkirk, Diane, Bloch, Dorothy, and Shrybman, James. An Analysis of Categorical Definitions, Diagnostic Methods, Diagnostic Criteria and Personnel Utilization in the Classification of Handicapped Children. Prepared for Department of Health, Education and Welfare. Bureau of Education for the Handicapped. Reston, Va.: The Council for Exceptional Children, March 1978.

**U.S. Comptroller General. Disparities Still Exist in Who Gets Special Education. Report to the Chairman, Subcommittee on Select Education, Committee on Education and Labor, House of Representatives, Washington, D.C.: GPO, September 1981.

because they vary eligibility criteria, offer a natural laboratory where we can learn more about the effects of eligibility criteria on the expansion or contraction of special education programs. In short, we could uncover some valuable findings for state policymakers.

The Range of Appropriate Services

Four subtopics compose this issue group: (1) legal opinions about required services, (2) state policies defining related services, (3) quality and effectiveness of services, and (4) interagency and private provider responsibilities. Our investigations showed that only in the area of legal opinion was adequate information available.* The one lac in legal research was its failure to extend to questions about the implementation consequences of legal decisions in specific areas. Coverage of the remaining three topics -- state-related service policies, effectiveness of services, and interagency responsibilities -- was spotty, dated, or simply unavailable.

While "related services" has remained a hotly contested subject for some time, we found little systematic study of the different ways states interpret or reimburse related service requirements. Anecdotal statements from experts whom we interviewed confirmed that states vary considerably in the related services they require for similarly handicapped students, but few efforts exist to document and describe these variations.

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*See McCarthy, Martha M. "Judicial Interpretations of What Constitutes Appropriate Educational Programs for Handicapped Children." Draft report for the International Council of Administrators of Special Education. Bloomington, Indiana: University of Indiana, April 1981; and Coley, Relan. "Education for All Handicapped Children Act (EHA): A Statutory and Legal Analysis." Journal of Law and Education, Vol. 10, No. 2, pp. 137-162, April 1981.

The issues of quality and effectiveness of special education programs showed the same lack of systematic attention. We uncovered only a few examples of state and district activities aimed at assessing program quality and effectiveness.* The single exception to this finding was the area of preschool or early childhood education programs for handicapped students.** This lack of recent studies of quality and effectiveness while not surprising contrasts sharply with the clinically based origins of the field of special education. It reflects in large measure the pre-eminence of other concerns involved in implementing newly mandated procedures for serving handicapped students -- concerns about whether programs are even available. This emphasis makes a great deal of sense in the early stages of policy implementation, but as special education programs grow more stable, research to address quality and effectiveness concerns becomes more desirable. If effectiveness studies are undertaken in special education, however, several methodological obstacles will need to be solved. For example, how does one define quality? How does one define and measure effectiveness in an area of individualized programs? These methodological problems must be addressed before credible studies can be undertaken.

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*See Craig, Patricia A., et al. Independent Evaluation of the California Master Plan for Special Education. (Third Annual Report), Prepared under State of California Contract, Menlo Park, Calif: SRI International, March 1981; Massachusetts Dept. of Education, Division of Special Education. Multi-Study Evaluation of the Effects of Chapter 766. Boston, Mass.: 1982; and Reisman, Karen C. and Macy, Daniel J. "Eight Years of Special Education Research in a Large Urban School District." Dallas, Texas: Dallas Independent School District, Department of Research and Evaluation, April 1981.

**See Smith, Barbara J. Policy Options Related to the Provision of Appropriate Early Intervention Services for Very Young Exceptional Children and Their Families. Reston, Va: The Council for Exceptional Children, October 1980; and Weikart, D.P., Bond, J.T., and McNeil, J.T. The Ypsilanti Perry Preschool Project. Preschool Years and Longitudinal Results Through Fourth Grade. Ypsilanti, Mi.: High/Scope Educational Research Foundation, 1978.

Similar methodological problems afflict research about class size or case loads in special education. While we found documentation of state variations concerning class size requirements (Almost all states establish class size or case load policies.), scant research is available to inform policymakers about the impact of different class sizes or case loads.* Once again the problem lies with the general state of the art of research into class size. Briefly stated, the size of a class interacts with so many other factors that researchers face great difficulty trying to disentangle these interactions, and these problems ensue whether they are dealing with regular or special education. As a result research is unlikely to produce precise answers in this area for policymakers in the near future. Research may be more likely to suggest outer limits for class size but an even more significant first step would involve the documentation of how districts and schools actually implement special education class size requirements. We found no research on this subject.

Finally, we found a major void in information about two subjects identified repeatedly by our state policymakers: (1) the coordination of interagency services for students and (2) the use of private service providers such as private day or residential schools for handicapped children. Policymakers hear many complaints about these subjects and want to know what state policies, if any, can address the various problems that arise -- problems of cost control, quality, duplication, withdrawal of services, and funding arrangements. Interagency and private service provider arrangements in the states remain largely unstudied from a policy perspective. The one bright spot we found was a "Compendium of Practice Pro-

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*See Mack, J.H., et al. Special Education Class Sizes. Reston, Va.: Policy Research Center, The Council for Exceptional Children, March 1980.

files"[*] which included a major section on interagency collaboration that detailed approaches used in some states and localities. While many articles discuss interagency agreements, no one for example has comparatively investigated the effects of different interagency cost control and public/ private funding arrangements among the states. As a result, we were unable to provide much descriptive or empirical information on these high priority items in the guide.

Cost of Special Education

Information about the costs of special education has clearly improved in recent years. A major cost study conducted by the Rand Corporation and other recent studies attempting to project costs nationwide are largely responsible for this improvement.[**] In spite of this advance, several important policy questions remain unanswered. For example, there is still no definitive information about the relationship between program costs on the one hand and district wealth and size of school district on the other.

It may be that further analyses of the Rand data will clarify these questions, but Rand's data will not answer all questions. For instance, the Rand data lacks information on district and state costs associated with the due process system. We found that the due process system was continually a target of state and local criticism with some policymakers feeling that significant amounts of state dollars were consumed in legal contests and not in classrooms. With no objectively collected information, parties with

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[*] Mid-Atlantic Regional Resource Center and New England Regional Resource Center. Compendium of Practice Profiles: Comprehensive Services for Handicapped Children. (Interagency Collaboration), Burlington: George Washington University/University of Vermont, 1981.

[**] Hartman, William T. Projecting Special Education Costs. Stanford, California: Institute for Research on Educational Finance and Governance, June 1981; and Kakalik, James et al. The Cost of Special Education. (R-2858 ED), Santa Monica, Calif.: Rand Corp., November 1981.

different stakes can make wildly different claims and have them believed by the powers that be.

In another area, many predict that advanced technology will significantly affect costs, but technological advances can either increase or reduce the costs of educating handicapped children depending on the technology in question and the time frame considered. Computerized IEP's, computer assisted instruction and assessment, and auxiliary aide devices required as related services more than likely can have very different cost impacts. Recent interest by the federal government in this area may produce a better basis for estimating the cost consequences of these technologies, but for the time being little information beyond guesses is available to aid policymakers.

In sum, while research about the costs of special education has improved, much remains to be done. We are only at the frontier of analyzing program costs under different federal, state or local policy approaches. Sophisticated cost analyses remain fraught with methodological difficulty and it is unlikely to improve without explicit research attention. Without tracking the effects of alternative policies, analysts will have to base their estimates on untested assumptions. Few quick and dirty answers exist for improving these assumptions without comparative assessments of states' and districts' experiences with different policies.

Funding Sources for Special Education

This issue area subsumes a range of issues linked to the two questions of who should pay for special education and how state aid should be structured. We searched for documentation or information about (1) federal, state, and local expenditures for special education and respective

shares of support across time; (2) state/local inequities and equalization efforts in the finance of special education; (3) special education's alleged erosion of and encroachment on funds for general education; (4) agencies or funding sources other than the state's special education revenues that contribute dollars to the education of handicapped students in a state; (5) direct versus indirect reimbursement of different service providers; (6) the effects of categorical versus non-categorical aid for special education; and (7) the use and impact of funds restrictions on special education funds. At the most minimal level we sought descriptive information across these areas documenting state patterns and variations. At a more ambitious level we sought findings from research to illuminate the consequences of different approaches. Generally, our search efforts turned up only a modestly satisfying level of information across these areas.

Descriptive information about state patterns and practices was almost always a problem. In most areas, comparative information across all 50 states simply did not exist. This was particularly the case with respect to multiple funding sources, service provider funding arrangements, and restrictions on special education funds. We did locate descriptive information from the Education Commission of the States (ECS) about federal and state revenues for education* as well as a few estimates of total nationwide expenditures for special education,** but nowhere did we

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*Odden, Allan and McGuire, C. Kent. "Financing Educational Services for Special Populations: The State and Federal Roles," Working Paper #28. Denver, Colorado: Education Finance Center, Education Commission of the States, May 1980.

**Hartman, William T. Projecting Special Education Costs. Stanford, California: Institute for Research on Educational Finance and Governance, June 1981; and Kakalik, James et al. The Cost of Special Education. (R-2858 ED), Santa Monica, Calif.: Rand Corp., November 1981.

find expenditure information for states or for locals. Even ECS' information estimating state revenues was open to charges of inaccuracy and unreliability by different policymakers within the same state. Nevertheless we decided to include the ECS revenue estimates in the guide based on our view that in policy debates some information is preferable to no information. We did caution policymakers that revenue figures can only serve as ballpark estimates given their shakey foundations.

The fact that reliable revenue or expenditure figures are not available does not automatically make the case that they should be available. In many ways policymakers often overestimate the policy significance of numbers. For instance, knowing that a state's special education revenues place in the lower ten percent of all states does not by itself tell a policymaker very much about which course to pursue in upcoming appropriation decisions.

On the other hand, accurate revenue (or expenditure) information across time can inform policymakers among other things about which governance level is bearing the burden of support for mandated services. Using very rough estimates as a basis for computation, we suspect that nationwide, local districts have borne more of the cost burden associated with the 1975 handicapped education mandates than have states or the federal government. Our guess is that local support has shifted from 30% in 1975* up to almost 40% in 1980-81. This is against a backdrop of impressive increases in federal and state fiscal allocations across the

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*Wilken, William H. and Porter, David O. State Aid for Special Education: Who Benefits? Washington, D.C.: National Institute of Education, December 1977.

same period of time. But state contributions appear to have slipped from 55% to somewhere in the range of 40 to 50%. These estimates, however, are very speculative.* If more accurate federal, state and local numbers were available to confirm this pattern, federal and state policy-makers would have evidence against which to assess districts' claims of insufficient and inequitable state and local resources. Moreover, such information would provide some clues about the source of many people's opinion that educators at the local level are having to use general education revenues to support special education programs.

The information base contained in the more analytic research we sought was equally disappointing. Available literature documented the variable use of funds restrictions in states relying on pupil weighting formulas to distribute special education funds,** and the general school finance literature yielded some information about the likely effects of categorical and non-categorical aid,*** but we found no systematic, empirical investigation of these approaches as they affected special education in particular. Presumably the strong legal protections afforded handicapped students (as well as bilingual students) make special education a somewhat unique case of categorical/non-categorical aid, which would merit more individual attention.

Finally, we want to point out the lack of any systematic inquiry about state policies relating to equalizing special education funds.

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*They were derived from rough estimates of available federal and state revenues subtracted from an estimate of total expenditures.

**Leppert, Jack and Routh, Dorothy. Weighted Pupil Finance Systems in Three States: Florida, Utah and New Mexico. McLean, Va.: MGT of America, March 1980.

***Sherman, Joel D. "Changing Patterns of School Finance" in Government in the Classroom: Dollars and Power in Education, edited by Williams, M.F. New York: The Academy of Political Science, 1978.

While we found some intriguing examples of different state equalization schemes (e.g., New York, Maryland), for the most part researchers have not tackled this issue empirically. As funds become tighter, we anticipate that policymakers will face more pressures to achieve an equitable distribution of fiscal resources and will desire more information about equalization strategies and their consequences.

Special Education Funding Formulas

We concentrated on locating two kinds of information about special education funding formulas: descriptive information about formulas used by the states and anlaytic research into the consequences of different funding formulas. Several efforts have been made to describe types of funding formulas used across the states.* Close inspection of these various survey and typology efforts revealed that very few of them agreed about the formulas used in individual states. We have concluded that two reasons explain this occurence: (1) unclear, or highly variable criteria for labeling state formulas and (2) the complexity and diversity of state approaches to distributing special education funds.

Both problems are illustrated by some analysts' reliance on states' self-descriptions of formulas to categorize state funding formulas.

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*These categorizations include Bernstein, Charles D., et al. Financing Educational Services for the Handicapped: An Analysis of Current Research and Practices. Prepared for the U.S. Office of Education, Bureau of Education for the Handicapped, Reston, Va.: The Council for Exceptional Children, 1976; Hartman, William T. "Policy Effects of Special Funding Formulas." Stanford, Calif.: Stanford University Institute for Research on Education Finance and Governance, January 1980; and Leppert, Jack and Routh, Dorothy. Providing for Special Education in Missouri: A Report for the Missouri State Department of Education under contract with the Education Commission of the States. McLean, Va.: Policy Resource Center, January 1978.

For example, because New York describes its formula as an excess cost formula, many surveys report it as such. A more intense review of New York's formula reveals it to be a pupil weighted formula attempting to approximate excess cost through a separate categrocial aid program. As we explored a number of states more intensively by collecting a range of documents and descriptions of their formulas, we quickly realized that considerable complexity and variation characterizes the formulas they actually use. This variation defies researchers' attempts to simplify and classify funding approaches.

Consequently, the descriptive information about state funding formulas, though available, usually falls short on two counts. First, it oversimplifies state policies and practices in important ways. Secondly, this oversimplification can lead to erroneous conclusions about the effects of state funding formulas especially if one assumes that formula types (e.g., excess cost) include specific elements (e.g., district cost reports) and lead to specific outcomes (e.g., heavy district reporting burden). We conclude that while it is possible to categorize funding formulas across states, those categorizations while helpful in a general sense are less helpful in drawing any conclusions about the operation of a specific state's or group of states' funding formulas. As we note in the guide, how a state implements a broad formula type matters more than the formula type the state uses.

In short, we found relatively abundant descriptive summaries of funding formulas used across the states, but this information was significantly flawed by oversimplification and the use of subjective criteria. In contrast, we did not find an abundance of empirical, analytic information about the problems and effects of different funding formulas. At this

stage, we and others could rely only on speculative information about the logical outcomes of different funding formulas, not their empirically tested outcomes. Ironically, the oldest type of funding formula and the one used by 20 states, resource-based, has the least documentation about any of its aspects. Student-based formulas like pupil weightings and cost-based formulas like excess cost have garnered more attention in the research literature although even this attention lacks a good empirical foundation.

Based on our review of information about the funding formulas used by states, we see the lack of empirical, comparative information about the consequences of different funding formulas as a major hindrance to efforts to improve state policy in this area. Getting this information, we believe, reduces to embarking on field-based studies of state funding formulas that capture both the complexity of the formulas and of their consequences.

An Assessment by Type of Information

When we originally embarked on this project, we expected to find the variable range of information for different issue areas that we have previously discussed. We were less sure how variable different types (or sources) of information were. In actuality, we found an equal level of variability across types of information.

State-by-State Descriptive Information

As previous sections have noted, state-by-state descriptive information is relatively uneven and generally disappointing either because it lacks currency or because it is unavailable. The best information available by state focuses not unexpectedly on federal compliance issues: numbers

of children served, placements in which they are served, and age ranges served. Less satisfactory is the information on eligibility definitions and criteria, state and local revenues and expenditures, related services policies, and equalization and funding approaches. Obtaining this kind of information across states is almost always difficult. States and local districts balk at additional reporting requirements, and staff who collect information require the financial support and skill to track down accurate responses and to obtain a sufficient amount of information to assure its policy utility (e.g., the problems previously discussed concerning state funding formulas). Thus improving this kind of information inevitably leads to political and financial issues. State policymakers may be less irritated by national survey requests, however, if they are included in planning and seeing their own decision-making interests furthered by more adequate descriptive information across the states.

Analytic Research

Available analytic research in the field of special education shares a heavy but not singular compliance orientation. As we noted in previous sections, handicapped student incidence rates and cost estimates dominate this research literature. More recently, the federal government has sponsored several top flight studies of how aspects of P.L. 94-142 have been implemented by states and districts, -- studies that highlight areas of progress and difficulty in obtaining the intent of federal law.*

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*See Blaschke, Charles, et al. P.L. 94-142: A Study of the Implementation and Impact at the State Level -- Final Report. Falls Church, Va.: Education Turnkey Systems, 1982; Stearns, Marian S., Greene, David, and David, Jane L. Local Implementation of P.L. 94-142: First year Report of a Longitudinal Study. Prepared for U.S. Department of Education, Bureau of Education for the Handicapped, Menlo Park, California: SRI International, April 1980; and Wright, Anne R. Local Implementation of P.L. 94-142. Second year of a Longitudinal Study. Prepared for the U.S. Office of Education, Office of Special Education. Menlo Park, Calif.: SRI International, October 1980.

Several descriptive studies of least restrictive environment, individualized education plans, and due process procedures are now available. But the analytic research base in special education contains far less information about state and local finance questions or about the effectiveness of existing and alternative forms of special education. While this research emphasis is both understandable and prudent relative to the implementation stage of special education mandates, the time is fast approaching if not already here when less compliance-oriented analyses are necessary to improve public policy throughout the intergovernmental system.

State Documents and Reports

We include this category of information in this assessment because our original plans explicitly called for us to use what we could of this information. Generally, we found the availability and quality of state documents and reports less than what we had hoped to find. Of course, our collection efforts were constrained by the fact that we were neither authorized nor sufficiently financed to conduct comparative state case studies across the states. As a result, we could only obtain documents and reports that others told us about which specifically focused on our outlined topics for the guide. Thus, we did not build a thorough state document file that contained many unofficial publications or reports pertinent to topics in the outline.

The documents we did collect in many cases were either public information focused or narrowly drawn to a specific state question (e.g., whether to use a previous year child count as a basis for state reimbursement). Undoubtedly had we focused on developing case studies, the depth and breadth of information of this kind would have probably improved because

we would have been able to find less "official" and more pointed policy discussions in correspondence and testimony before the state legislature. And at times we were able to locate a few very insightful, useful state reports. (Notable examples include evaluations and policy memoranda we collected from California* and Massachusetts).** Similarly, some state-commissioned studies (e.g., North Carolina*** and Illinois)**** were fairly informative. Generally speaking, however, we found serious limitations in existing state materials. For the most part individual state material is particularistic and afflicted by inadequate empirical data and research.

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*Craig, Patricia A., et al. Independent Evaluation of the California Master Plan for Special Education. (Third Annual Report), Prepared under State of California Contract, Menlo Park, Calif.: SRI International, March 1981.

**Massachusetts Department of Education. Chapter 766 Evaluation Studies. Boston, MA.: Division of Special Education, March 1981.

***Clifford, Richard M., et al. Study of Allocation of Funds for the Exceptional. Chapel Hill, N.C.: Frank Porter Graham Child Development Center, University of North Carolina, January 1980.

****Price, Samuel T., et al. Final Report: Special Education Revenue Tracking Project, Program Cost Differentials, and Concentrations of Handicapped Students. Normal, IL.: Center for the Study of Educational Finance, Illinois State University, November 1981.

V. Conclusions and Future Considerations

In the previous section we dwelled upon the many areas where information pertinent to issues of special education finance is in short supply. Lest that readers conclude that no useful information is available, we note that the guide itself provides the summation of the information we identified and pieced together in a form suitable for policymakers' use. But our concentration on information gaps is not without purpose. We have reviewed our findings about the availability and quality of information in the hope that it will enlighten future deliberations about research priorities in the field of special education.

We have attempted to indicate where further knowledge is needed and where methodological obstacles must be surmounted prior to any information breakthroughs. The criterion we have used in this assessment, state policymakers' information needs in the area of special education finance, is one of several that could be used as a basis for focusing future research and data collection activities. Equally significant criteria include local practitioners' information needs to improve diagnosis and instruction and federal policymakers' information needs to assure compliance with federal statutory obligations. Clearly, limited research funds cannot meet all the needs that emerge from these criteria. We respectfully submit, however, that the critical role played by state and local dollars in financing special education services behooves decision-makers charged with expanding available knowledge to address more fully the questions and issues pertinent to state and local finance.

To aid the process of developing an improved information base, we offer four concrete suggestions that we believe would constitute feasible

and productive steps. First, special education research should shift away from the heavy compliance emphasis of the recent past. In no way do we criticize this past emphasis, rather we now see the need for and appropriateness of research inquiries that go beyond establishing that services are in place and deal with ways to improve the services available to handicapped students, either through improved finance policies or through better instructional policies.

Secondly, federal and state research efforts should concentrate on topics where little knowledge is available but where a high policy payoff exists. While experts may disagree, it may be possible to forge some consensus about high demand/high payoff topic areas. Based on our work in developing the guide, we suggest four areas that meet this test: (1) interagency funding policies and practices, (2) state equalization policies in special education and their impacts, (3) state funding formula effects, and (4) the effects of different state definitions and eligibility criteria.

Third, collaborative research efforts between a group of states and the federal government should address particular topics in the finance of special education. We found few studies that fell on middle ground between research specific to a single state and research aimed at a national audience. As a result, finance concerns that many states share go unaddressed because federal policy is not centrally at issue. More studies like Leppert's and Routh's Weighted Pupil Education Finance Systems in 3 States: Florida, New Mexico, & Utah* across the range of

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*Leppert, Jack and Routh, Dorothy. Weighted Pupil Education Finance Systems in Three States: Florida, Utah, and New Mexico. McLean, Va.: Policy Resource Center, MGT of America, March 1980.

funding formulas could reduce some of the information gaps we previously noted with respect to the effects of funding formulas. Many states using or contemplating a change in cost-based funding formulas could profit from the experiences of other states, but these experiences have not been documented or analyzed. Collaborative funding will prove critical to these endeavors, however, because rarely do states have sufficient dollars to finance an adequate research effort on their own. The federal government through cost-sharing in some of these efforts could follow through on its rhetoric to play more of a helpful, informational role to the states by contributing financial support to shared research ventures.

Fourth and finally, federal and state policymakers might consider a regularized five-year census of the states which would gather pertinent descriptive information about state practices useful to all policymakers, federal and state. Currently, state descriptive information, besides lacking currency and completeness, does not easily permit comparisons either because different collection years are chosen or because information is collected from different contact points within the states. The National Association of State Directors of Special Education (NASDSE) developed state special education profiles for each state in 1977 which may serve as an early prototype of such an effort. Perhaps NASDSE's recently installed on-line computer facility can lessen the cost and reporting burden entailed in a census, burdens which we acknowledge can be significant. Nevertheless, important problems deriving from a reliance on self reporting from state officials will have to be carefully addressed. Implementing a five-year census will require careful development and content specification, but we believe it would improve substantially the uneven and uncoordinated nature of currently available information across the 50 states.

APPENDIX A

TELEPHONE PROTOCOL

APPENDIX A:

TELEPHONE PROTOCOL

Name:_____ State:_____

Type: Special Education_____ LEA_____
Other Education_____ SEA_____
General_____ Other_____

Introduction: We are in the process of putting together a guide for policymakers on special education financing alternatives at the state level. Right now we are interested in finding out the kinds of difficulties states are running into in the finance area so that this guide will be useful and up to date.

What issues are coming before the state board and the state legislature this year, or what do you expect to see happen in special education financing in the next several years?

CHECK LIST

Issue	Explanation of the Issue	What Information is Needed (Studies)?
Expenditures		
Cost variation		
--data soft		
--categories, rates vary		
--no data on cross-agency		
--numbers static, costs grow		
Growth		
--private schools		
--secondary		
--year round		
--mildly handicapped		
--related services		
--assessment		
--training		
--due process		
--low incidence		
educ v humserv		
instit v comm		
--buildings		
--transportation		
--small districts		
--new admin expenses		
--emotional disturbed		
--aging of personnel		

Issue	Explanation of the Issue	What Information is Needed (Studies)?
Comparative Growth		
--exceeds reg. ed.		
--where limit		
--what appropriate		
--federal funding		
--non-growth elsewhere		
--severely handicapped (cost v benefit)		
--increased start up costs		
--adequacy of previous funding		
--special educ burn-out		
--self-contained v regular classes		
Eligibility		
--definition of categories		
--age coverage		
preschool		
post-18		
--service requirement		
--certification		
--overlap in "learning problem" categories		
Formula/Distribution		
Flexibility		
--administrative		
--accountability		
--severely handicapped		
--mainstreamed population		
--support personnel		
--timing of reimbursement		
--waiting lists		
--decategorization		
--non-categorization of special education		
--equity		
--variation rural, urban, suburban		
--variation in capability and development in urban, rural, suburban		
Institutional Change		
--governance implications of LRE		
--cost implications of LRE		
--cost implications of certification		

Issue	Explanation of the Issue	What Information is Needed (Studies)?

Institutional Change continued

--institutional costs
--change in responsibility
--rural impact
--related services
--year round education
--other population
--interagency collaboration
  cost sharing
--shift of responsibility
  within state budgets
--shift of responsibility to
  local and regional budgets
--free service for handicapped
--other federal, state,
  regional $

Economic/Political Environment

--shifts in budget priorities
--tax limitations
--general economic impact
--growing social conservatism

Hidden Costs

Probe Questions

Have these questions come up in your state:

--magnitude of expected costs
--start-up costs (any evidence)
--services to severely handicapped (cross-agency?)
--related services/institutional services
--emotionally disturbed
--preschool
--funding formula capacity to deal with severely handicapped, planning
--substantially different costs for urban/rural
--other agency responsibility
--mildly handicapped overlap

Is there anyone else I should talk to?

Do you know of anyone who has before and after data -- costs and changes after mandatory legislation or change in their funding formulas?

Has anyone looked at private school costs (or the impact of vouchers)?

APPENDIX B

EXPERTS INTERVIEWED IN DATA COLLECTION PHASE

APPENDIX B:

EXPERTS INTERVIEWED IN DATA COLLECTION PHASE

Charles Blaschke, Education Turnkey

James Kakalik, Rand Corporation

William Schipper, National Association of State Directors of Special Education

Gary Snodgrass, National Association of State Directors of Special Education

Martin Gerry

Frederick Weinbraub, CEC

Joanne Barresi, CEC

Charles Bernstein

Mimi Stearns, SRI International

Keith McGuire, Education Commission of the States

Steve Smith, Decision Resources, Inc.

Edward Sontag, SEP

Martin Kaufman, SEP

Max Mueller, SEP

Martin Abramson, SEP

Dorothy Routh

APPENDIX C:

DRAFT POLICY GUIDE OUTLINE AND POTENTIAL INFORMATION SOURCES

APPENDIX C:

DRAFT POLICY GUIDE OUTLINE AND POTENTIAL INFORMATION SOURCES

	Sources/Comments
ction I. How to Talk About Special Education Finance	
Purpose of Section: To give a wide range of persons involved in the policymaking process a means of communicating with a common vocabulary and a shared set of definitions.	
1. Distinct Policy Goals of Special Education	Available literature.
Purpose : To clarify how and why special education differs from other special and regular education programs.	
a. Legal right to special services (not discretionary as compensatory services are) b. Least restrictive environment/mainstreaming) c. Individualized service model and plan d. Minimized misclassification	
2. The Special Education Finance Package as a Whole	
a. Federal, state, local sources - the vertical look.	
- How is federal aid packaged; how much; past federal funding patterns; controls attached	Available literature, particularly Margaret Hodge article, 94-142 Reports to Congress, Hartman analysis of federal aid; ECS, "Special Education Finance."
- what share of aid is state (note range); varieties of packaging (i.e. general, categorical; varying percentages; equalized)	Requires updating state specific information by checking with CEC, ECS, NCSL, Kakalik; or use older information from Tron, "Public School Finance Programs", M. Hodge, and M. Thomas (Rand).
- what share of aid is local; discussion of arguments relating to state assumption versus local responsibility	Review literature: Kakalik, Sherman (general finance and local control article). Possible state sources: issue papers (e.g. NYS) and commission studies.

Draft Policy Guide Outline and Potential Information Sources

	Sources/Comments
ction I. Continued	
b. The horizontal picture of multiple aid sources	
- Federal programs which aid special education (treat in a conceptual/functional manner, not a laundry list of all programs but noteworth examples - e.g. Medicaid)	See Kakalik, "Interrelationships of Federal Programs for Handicapped Children; OHI "Summary of Federal Legislation for the Handicapped".
- Spread of state aid for handicapped children's services (e.g. transportation, teacher training/inservice screening, overlap with disadvantaged mental health institutional support).	Conversations with CEC; review of state material in files. Particularly explore category of occupational education.
c. Special education aid's relationship to basic operating aid.	
- The point to be made here is the way in which the base interacts with special aid - i.e. it varies across states but in almost all states some relationship exists - e.g. off the top, weighted pupil counts, excess cost, etc.	Review of state information in files (e.g. Mass., NY, etc.). Collect additional state studies which knowledgeable sources (like CEC and ECS) report as pertinent.
3. The Working Vocabulary of Special Education Finance	
a. categorical vs. service categories b. excess cost as a concept c. expenditures vs. costs of special education d. finance formula as a concept e. elements of funding approach (kids, costs, resources) f. fiscal capacity	Available literature: Weintraub, Hartman, Kakalik, Goertz,
4. Basic Funding Approaches (Major Emphases, Strengths and Weaknesses)	
a. Review of major formula types:	
i. cost-based: excess cost, percentage ii. pupil-based: flat grant weights iii. resource-based: class, teacher,	Available literature: Kakalik, Hartman, Leppert, Bernstein

Draft Policy Guide Outline and Potential Information Sources

	Sources/Comments
ection I. Continued	
b. Comparison of formula types - emphasis and common regulatory attachments - strengths and weaknesses along a range of criteria (child classification, appropriate program, support of mainstreaming, planning, equity, controlling costs, accountability for expenditures)	State summative information and state illustrative information from CEC, ECS, Kakalik conversations; Hartman papers.
5. The Critical Role of Appropriations Describe instances where appropriations and authorizations have operated at cross-purposes (Fla., Calif., Tenn.) and have altered the intentions of the funding system	California 1980 Audit Report; Leppert, "Weighted Pupil Education Finance Systems...", conversations with CEC and OSERS for specific examples to pursue. Also Blaschke.

Draft Policy Guide Outline and Potential Information Sources

Section II: Current Issue Considerations in Special Education Finance	Sources/Comments
Purpose of Section: To discuss in a factual way and interpret in the context of finance particular aspects of special education growth and services which influence contemporary debates about state funding of special education. Will serve as a substantive background section for persons needing more in depth material.	
1. Population and Service Patterns	
a. Mild/moderate/severe handicapped population patterns since 1975	a. State level shifts from aggregate state information -OSERS, CEC, Applied Urbanetics
b. Expansion or contraction of age ranges served (preschool, elementary, secondary, 18-21)	b. CEC Policy Options Studies; OSERS information.
c. Private placement/institutional placement patterns	c. OSERS, CEC or individual state examples obtained from knowledgeable parties (e.g. Conn., Calif., and Mass.).
d. Least restrictive in school placements	d. OSERS, CEC.
e. Impact of birth rate declines	e-f. State commission studies? (Call select state departments or districts and ask their assumption for projecting special education enrollment). Discuss with CEC and OSERS.
f. Effect of remediation/early childhood identification and treatment	
g. Other factors affecting growth: - finance - alternative service providers (comp. ed.) - definitions - caps on eligibility	g. Would be useful to have specific examples - some from Leppert, "Weighted Pupil..."; get definitions examples from CEC; IEL network; get states with caps (pre and post impacts) from CEC.

Section II: Continued	Sources/Comments
2. Cost and Expenditure Patterns	
a. Techniques for estimating costs; how useful is available cost data, what is included, excluded.	Available literature: Kakalik, individual state cost studies (crosscheck our list with CEC).
b. Recent cost findings (Rand, others?)	
- services - administration - mainstreaming - assessment/diagnosis - due process	Interviews with Kakalik and Hartman. Individual state examples: NYS study of committees on the handicapped - uncover other examples from CEC and state files.
c. Patterns in state and local expenditures	Hodge for patterns in state expenditures. NSBA report on costs of Special Education.
- shifts in % local, state or federal	Check for state specific information with NCSL, CEC, OSERS, and ECS.
- growth categories (private placements, aging of special education teaching force, assessment, administration)	Also state level reports and NCES reports on teaching personnel.
d. Patterns in achieving funds' accountability	Tron; Public School Finance, CEC, Leppert, OSERS
- mechanisms used (e.g. audits, specifying % for target children, etc.)	
- issues of state/local discretion	
3. Fiscal Conditions	
a. Effect of tax limitations	a. Search for information in Calif., Mich., Mass., general descriptive trends from available literature
b. State surplus and deficit prospects	b. Available literature; NCSL; ECS; ACIR.
c. Inflation in special education	c. Ask CEC, ECS, others for any information or examples

Draft Policy Guide Outline and Potential Information Sources

	Sources/Comments
ction II: Continued	
d. Taxpayer backlash to special education and to general education.	d. Request suggestions from M. Kirst and above.
e. Interaction of above with special education finance - patterns which are discernible; second order problems	e. Interpretation section - include problems with maintenance of effort - see Gurwitz article from Rand.
4. Emergent Legal Considerations (Conceptual update of major legal decisions and their implications for finance) a. Year round programs b. Third party payments (insurance) c. Appropriate education and placement d. State caps on support and eligibility e. Legal cases on funds requirements (e.g. Boston, Mass.)	Use consultant to prepare review if adequate synthesis not already available. Possible sources include Larry Kotin, Sharon Kowal, Kim Small (NIE intern), Education for the Handicapped Legal Project. Possible consultants: above, Michael Gaffney, Robert Silverstein.
5. Financial Implications of Related Services and Interagency Placements	OSERS, Legal Review (#4), CEC reports and suggestions of state examples.
a. Limits on related services - concept as a whole - psychotherapy, medical assistance and other specific cases - state variations or policy approaches to related services	
b. Interagency placements - local vs. state responsibilities (including out of state) - reimbursement issues (e.g. who pays whom?) - intermediate education unit services - administrative/governance concerns (state relationships and agreements, local flexibility, parental choice)	Discuss for suggestions with CEC. Available national and state literature from La., Calif., Penn., New York on shifts away from intermediate units. Telephone or site visits if necessary. Discuss with David Green; SRI Evaluation of P.L. 94-142. Also discuss with Blaschke.

ction II: Continued	Sources/Comments
6. Equity	Obtain through Legal Review (#4) as well as available literature. Growth of special education and regular education: NSBA survey on Cost of Special Education, Massachusetts examples; summary information from OSERS, CBC, NCES; also ask for specific examples.
a. Between special education and regular education - As a legal concept - Is special education growing at the expense of regular education? - Equitable reductions in services - problems and prospects.	
b. Intrastate equity - Historic patterns from discretionary and matching aid systems - Rural fiscal burdens - Urban fiscal burdens - Fiscal capacity considerations - Effect of federal aid on equity	See Wilken, "Who Benefits", Bernstein, Weinbtraub, Rural Special Education Research Project, State Study Reports (NY, ND), Moore, ECS "Finance of Special Education".

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	Sources/Comments
Section III: Optional Finance Paths to Meet Specific Challenges in Special Education	
Purpose of Section: To intergrate finance strategies (including) finance formulas) with particular policy goals shared by state policymakers. Will discuss range of feasible paths, ideas for reform and will assess their strengths and weaknesses.	
1. Serving the Hard to Serve	
a. Low Incidence Populations - Description of who they are and problems encountered: - in rural areas - in institutional environments - specific categories of children who are low incidence (deaf-blind, multiply handicapped)	Rural Special Education Research Project; state study reports (e.g. N.D., California, Vermont); Rand Rural Schools Study; Check for additional ideas from CEC and SRI (Mimi Stearns).
b. Funding Arrangements - forced collaboration at minimal levels of incidence - separate categoricals, and service incentive schemes - funding formulas' approach to these populations	Analyze impact of 94-142 approach, i.e. minimal grant threshhold. Develop contacts in Mass. to explore incentive system for institutionalized population. Obtain state specific information
2. Equalizing the Burden on Districts	
a. Potential inequities with examples	a. Review of State files and literature to uncover examples, also discussions with knowledgeable persons - Kakalik, Blaschke, Stearns, CEC, Hartmann
b. Fiscal capacity/wealth adjustments c. Other adjustments (rural, urban, size, general aid)	b&c. CEC or ECS for states which use wealth adjustments; possibly from Tron, "Public School Finance"
d. Funding formulas comparative equalizing strategies	d. Analysis; also discuss with Kakalik and Hartman.

ection III: Continued	Sources/Comments
3. Maximizing Appropriate Placements	
a. Neutral labeling systems/neutral programming systems	a. Review of efforts to achieve neutral labeling: e.g. NY; Calif., Mass. Also note mesh with federal programs.
b. Effect of other special programs such as compensatory education, bilingual education	b. Available literature: Birman, Hill; search for potential studies, dissertations, etc.
c. Flexibility of finance system to add pupils incrementally	c. Leppert; ask about new ideas from CEC,
d. Mainstreaming concerns	d. Available literature; ask knowledgeable parties about noteworthy examples.
e. Duplicate verses unduplicated counts	e. North Carolina Study of Finance, ask others to identify; state specific information
f. Diagnostic/assessment system	f. State information on diagnostic/assessment fundings; examples of funding strategies.
g. Program development versus mature program issues	g. Start up costs; comparison of front loading strategy or formulas more conductive to growth; seek out examples of any states using these approaches.
4. Managing Growth and Containing Costs	
a. Problems of growth and their relationship to cost	a. Note growth and costs are not entirely synonomous. Comparative information on costs in other areas - CEC, California
b. Ways to manage growth (previous year reimbursements, phasing in, ceilings)	b. Discuss with knowledgeable persons for additional ideas (e.g. CEC, state studies, OSERS, Hartman)
c. Specific mechanisms for containing costs - definition or service age adjustments - efficiency incentives (local sharing, data tracking systems, cost-effectiveness studies) - ceilings and caps - enforcement and audit practices	c. CEC Policy Options Project; Council of Great City Schools, state studies and reports.
d. Containing costs in the private sector (Conn., N.H., Calif.)	d. Pursue state examples

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ection III: Continued	Sources/Comments
5. Coordinating the Players	
a. Promising approaches to agency coordination at the state and local level (Mass., La.)	a. Follow Mass. local collaboration model. Review problems with intermediate units (e.g. NY., Pa., Calif.) seek additional examples
b. Intra-school coordination mechanisms - among teachers (Calif's resource teacher) - across special services	b. Birman, Hill, Stearns. Discuss with OSER
c. Finance implications and removing finance barriers to coordination	c. Calif. example of RLA's in Master Plan. Anything on vouchers - ask CEC, Hawaii ACLD
*6. Improving the Quality of Special Education Services	
a. The issue of in-service training and finance	a. State specific information on ways inservice training supported; Federal in-service/pre-service training requirements.
b. Fostering improved service systems - demonstrations - dissemination - start-up cost support for particular systems - quality controls through class sizes, case load requirements.	b. Discuss federal/state relationships; discuss with CEC to find any unique state experiences
c. Potential impediments to quality in special education programs and their interaction with finance. - low cost staffing pressures - qualified teachers not available - inadequate materials - program/student evaluation	c. Note sources of these problems; particular approaches used to combat (CEC, Blaschke, Stearns)

*Adequate information may not be available to justify final inclusion of this item.

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	Sources/Comments
ection III: Continued	
7. Summary of Strengths and Weaknesses of Alternative Funding Formulas in Meeting Specific Challenges in Special Education - review 1-6 above, where relevant - summary of formula types' particular implementation problems (top town problems, gamesmanship, flexibility, technical assistance, timing, etc.)	Rand-Berman and McLaughlin; Hill, Thomas; SRI-Stearns; Blaschke

APPENDIX D:

CHECKLIST OF DESIRED STATE INFORMATION

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Information	Potential Sources
1. Categorical/Noncategorical funding	CEC, ECS, NCSL, "Public School Finance Programs"
2. Funding formulas	"Public School Finance Formulas," ECS, CEC
3. Contemplated shifts in finance formulas	CEC, ECS, Blaschke, Kakalik
4. State expenditures for handicapped for 5+ yrs., regular education expenditures	Hodge, NCSL, CEC, ED/OSER
5. Local expenditures for handicapped for 5+ years	[illegible]BA, ED/OSER, Kakalik for ten states
6. Percentages of state/local support for handicapped	Available from above or inferentially from "Public School Finance Formulas."
7. Service and function categories used at state level to aid handicapped children	"Public School Finance Formulas," CEC; general knowledge will suffice if categories not available state by state.
8. Appropriations vs. authorized support	CEC - knowledge of particular cases as well, Blaschke, Hartman.
9. Special education aid equalizing factors (e.g. urban, rural, wealth, size)	"Public School Finance Formulas," CEC, ECS
10. Duplicated or unduplicated count	CEC, Blaschke, North Carolina Finance Study
11. Cost studies on special education	CEC, Hartman, Kakalik, Blaschke
12. Caps on eligibility; ceilings on expenditures	CEC, ECS, "Public School Finance Formulas"
13. Related services policies	CEC, OSERS
14. LEA variation in proportion served and type of handicapped served	Applied Urbanetics analysis of OCR 102 Survey; OSERS
15. State bilingual and compensatory education aid available	Department of Education/Policy and Budget or Federal program offices
16. Recent changes in definitions of eligibility for special education	CEC, OSER, Stearns, Blaschke, Hartman, Kakalik
17. Finance of in-service training	CEC, Blaschke